



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

For the three and six months ended June 30, 2022

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The following management’s discussion and analysis of financial condition and results of operations (“MD&A”) of Jamieson Wellness Inc. (together with its subsidiaries), referred to herein as “Jamieson”, the “Company”, “we”, “us” or “our”, is dated as of August 3, 2022. It should be read in conjunction with our unaudited condensed consolidated interim financial statements and our accompanying notes as at and for the three and six months ended June 30, 2022, our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2021 and the related annual MD&A.

Our unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2022 have been prepared in accordance with IAS 34, “Interim Financial Reporting” under International Financial Reporting Standards (“IFRS”) as disclosed in the audited consolidated annual financial statements for the year ended December 31, 2021. These unaudited condensed consolidated interim financial statements include the accounts of our Company and other entities that we control and are reported in Canadian dollars. All references in this MD&A to “Q2 2022” are to our fiscal quarter ended June 30, 2022 and all references to “Q2 2021” are to our fiscal quarter ended June 30, 2021. All references in this MD&A to “YTD 2022” are to our six-month period ended June 30, 2022 and to “YTD 2021” are to our six-month period ended June 30, 2021.

See “*Forward-Looking Information*” and “*Risk Factors*” for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors, including those referred to under the heading “*Risk Factors*” and elsewhere in this MD&A.

Non-IFRS and Other Financial Measures

This MD&A makes reference to certain financial measures, including non-IFRS financial measures that are historical, non-IFRS measures that are forward-looking, non-GAAP ratios and supplementary financial measures. Management uses these financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use the following non-IFRS financial measures: “EBITDA”, “Adjusted EBITDA”, “Adjusted net earnings”, “normalized gross profit”, “normalized SG&A”, “normalized earnings from operations”, “cash from operating activities before working capital considerations” and “net debt”, the following non-IFRS ratios: “Adjusted EBITDA margin”, “Adjusted diluted earnings per share”, “normalized gross profit margin”, “normalized operating margin”, and the following supplementary financial measures: “gross profit margin”, “operating margin” and “USD denominated revenue”, to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS and supplementary financial measures in order to prepare annual operating budgets and to determine components of management compensation. See “*How we Assess the Performance of our Business*” for an explanation of the composition of each such measure, as applicable, and see “*Selected Consolidated Financial Information*” for a quantitative reconciliation of each non-IFRS financial measure to its most directly comparable financial measure disclosed in our financial statements to which the measure relates.

Forward-Looking Information

Certain statements contained in this MD&A including, in particular, in the sections below entitled “*Summary of Factors Affecting our Performance*”, “*Liquidity and Capital Resources*”, “*Outlook*” and “*Risk Factors*”, contain forward-looking information within the meaning of applicable securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial

position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividend policy, plans, intentions, beliefs, and objectives of our Company. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects”, “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

In addition, our assessments of, and targets for, annual revenue, Adjusted EBITDA, Adjusted diluted earnings per share and certain other measures are considered forward-looking information. See “*Outlook*” for additional information concerning our strategies, assumptions and market outlook in relation to these assessments.

The forward-looking information contained in this MD&A is based on management’s opinions, estimates and assumptions in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe to be appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the ability to pursue further strategic acquisitions; our ability to source raw materials and other inputs from our suppliers; our ability to continue to innovate product offerings that resonate with our target customer base; our ability to retain key management and personnel; our ability to continue to expand our international presence and grow our brand internationally; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; changes to trends in our industry or global economic factors; and changes to laws, rules, regulations and global standards are material factors made in preparing the forward-looking information and management’s expectations contained in this MD&A.

The forward-looking information contained in this MD&A represents management’s expectations as of the date of this MD&A and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, and is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to those described below and referred to under the heading “*Risk Factors*” and those discussed under the “*Risk Factors*” section of our most recent annual information form.

We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information.

Overview

Founded in 1922, Jamieson is Canada’s leading branded manufacturer, distributor and marketer of high-quality natural health products. We offer consumers a comprehensive and innovative line of branded vitamins, minerals and supplements (“VMS”) products and certain over-the-counter remedies through our Jamieson and Smart Solutions brands as well as sports nutrition products through our Progressive, Precision and Iron Vegan brands, all of which we refer to as our “Jamieson Brands” segment. In addition to our Jamieson Brands segment, we also offer comprehensive manufacturing and product development services on a contract manufacturing basis to select blue-chip consumer health companies and retailers worldwide, which we refer to as our “Strategic Partners” segment.

VMS and sports nutrition are two large and growing segments of the consumer health industry. Jamieson is Canada's #1 overall consumer health brand by sales and Canada's #1 brand in VMS by sales. Our trusted reputation and success in Canada have allowed us to significantly grow the business internationally, with products being sold in greater than 45 countries and regions worldwide.

Our trusted reputation, strong industry relationships and certifications and commitment to meeting the highest standards of manufacturing, together with high quality production capabilities, attract opportunities for us to manufacture products for select blue-chip consumer health companies and retailers worldwide. Combining deep consumer insights with extensive research and development capabilities, we deliver category-leading innovation and growth.

Our leading market position and brands, focus on quality and innovation and extensive selection of products, make us the preferred partner for retailers in Canada.

Summary of Factors Affecting Our Performance

We believe our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and referred to under "*Risk Factors*".

Impact of COVID-19

There is a continuing risk that COVID-19 may impact the results of operations or financial conditions. A new variant or strain may cause an outbreak within our operating facilities, resulting in absenteeism or a plant closure for an extended duration. Suppliers may experience business disruptions that could impact the supply of raw materials or components required for production. Limitations on transportation or border closures may result in shipment delays from our suppliers or to our customers.

The situation is dynamic and the duration and impact on our business remains uncertain. We continue to review our safety protocols to reflect new government or public health recommendations. We have not benefited from nor applied for any government financial aid or relief relating to the COVID-19 pandemic.

Impact of Ukraine Conflict

We do not conduct any business operations in Russia or Ukraine and to date have not had any measurable disruption to our supply of raw materials and our ability to service customers. We did note that heightened inflation and consumer sentiment have caused uncertainty in international markets, especially in neighbouring Eastern European countries where we conduct business.

In particular, we continue to actively monitor for potential or accelerating impacts from the conflict including whether consumer purchasing patterns continue to soften affecting international business performance. The continued risk surrounding the Ukraine conflict and any escalations may have an adverse impact on our business, financial condition, and results of operations.

Our Brands

Our iconic brands have been built around consumer trust through focus on product quality, purity and potency. Our well-established brands include Jamieson, Smart Solutions, Progressive, Precision and Iron Vegan. Maintaining, enhancing and growing our brand appeal in Canada and internationally is critical to our continued success. Failure to maintain and enhance our brands in any of the targeted markets may materially and adversely affect the business, results of operations or financial condition.

Product Innovation and Planning

We believe that product innovation is integral to our success and we continue to focus on innovation as a key pillar of our growth. Our business is subject to changing consumer trends and preferences which is dependent, in part,

on continued consumer interest in our new products, line extensions and reformulations. The success of new product offerings, enhancements, or reformulations depends upon a number of factors, including our ability to: (i) accurately anticipate customer needs; (ii) develop new products, line extensions or reformulations that meet these needs; (iii) successfully commercialize new products, line extensions and reformulations in a timely manner; (iv) price products competitively; (v) manufacture and deliver products in sufficient volumes and in a timely manner; (vi) differentiate product offerings from those of competitors; and (vii) maintain relationships with scientist employees and consultants and members of our panel of consumer health industry experts, which we call the Jamieson Scientific Advisory Board, in order to benefit from their expertise and innovations. We believe our pace of innovation and speed to market with the introduction of new products provide us with a competitive advantage within the space we compete.

Customer Relationships

We have longstanding and deeply entrenched customer relationships with Canada's top retailers across the food, drug, mass ("FDM"), club, health food store, specialty and online retail channels including certain customers with an international footprint. We sell products through our knowledgeable retail partners and we are dependent on retail partners across all channels to display and present our products to customers, in their brick-and-mortar stores and on their online e-commerce sites. Our partners service customers by stocking and displaying our products, and, in certain health food and other specialty stores, explaining product attributes and health benefits. Our relationships with these retail customers are important for consumer trust in the brand and the advertising and educational programs we continue to deploy. Failure to maintain these relationships with retail partners or financial difficulties experienced by these retail partners could adversely affect our business.

Sourcing and Production

We have developed a strong, global supply chain based on long-standing relationships with the majority of our suppliers, and multiple sources of ingredients to ensure supply continuity. We purchase our ingredients from approximately 250 high quality raw material ingredient and packaging suppliers worldwide and potential suppliers are subject to a rigorous evaluation process by our quality assurance department. We are dependent on a stable and consistent supply of materials and inputs, including ingredients and packaging products. Although materials and inputs are generally available from multiple sources, certain materials and inputs are sourced from a restricted number of suppliers. In 2021, our top ten suppliers accounted for approximately 50% of our purchases. As is customary in the consumer health industry, we do not have long-term written contracts with most suppliers and often enter into short to medium-term contracts for raw materials at fixed prices to provide time to address price increases and mitigate margin erosion.

Distribution

Our warehousing and distribution functions are operated under a third-party logistics model through facilities in Calgary, Alberta and Toronto, Ontario. We have entered into an agreement with the third-party logistics partner to provide warehousing and distribution services for Jamieson Branded and Strategic Partners finished goods inventory until 2025 with a renewal option. Our ability to satisfy our customers' demands and achieve our cost objectives depends on our ability to maintain key logistic and transport arrangements. Our distribution and supply chain could be negatively affected by unforeseen disruptions due to fire, severe weather conditions, natural disasters, or other catastrophic events, public health events, labour disagreements, or other shipping problems. The loss of or disruption to these types of arrangements could interrupt product supply, which in turn could adversely affect the assortment and product availability at the store level of our customers. If not effectively managed or remedied, these events could negatively impact customer experience and adversely affect our operations or financial performance. By leveraging the expertise of the third-party logistics provider, we are able to operate more efficiently and diversify risk from our manufacturing facilities.

Consumer Trends

The Canadian consumer health industry is subject to shifts in consumer trends, preferences and spending. Our revenue and operating results depend, in part, on our ability to respond to such changes in a timely manner. As a result of our broad product scope and our strong innovation capabilities, we believe that we are well positioned to respond to these shifts in consumer trends, preferences and spending.

Our revenue is also impacted by consumer spending habits, including spending on our products, which are affected by many factors that are beyond our control, including, but not limited to, prevailing economic conditions, levels of employment, fuel prices, inflation, salaries and wages, the availability of consumer credit, and consumer perception of economic conditions.

Competition

The market for VMS and sports nutrition products is highly competitive. Our direct competition consists of publicly and privately-owned companies, which tend to be highly fragmented in terms of both geographic market coverage and product categories. In many of our product categories, we compete not only with widely advertised branded products, but also with private label products. Given our significant scale and broad product scope relative to our competition, iconic brand status, strong innovation capabilities and high-quality manufacturing, we believe that we are well-positioned to capitalize on favorable long-term trends in the VMS and sports nutrition segments. The specialized knowledge, expertise, and certifications required for production of VMS and sports nutrition products, is generally a significant barrier to entry for new competitors. Internationally, our competition varies by market and we have a strategic approach to entering international markets, which includes evaluating certain factors in each market, such as competitiveness, pricing dynamics, growth potential, regulatory environment and the propensity to be attracted to foreign brands.

Foreign Exchange

We currently benefit from a natural currency hedge by purchasing certain materials and inputs in U.S. dollars and selling our products internationally in U.S. dollars. With respect to sales in Canada, we are exposed to fluctuating U.S.-Canadian currency exchange rates where the products sold contain materials and inputs purchased with U.S. dollars. We manage our exposure to fluctuating U.S.-Canadian currency exchange rates with foreign exchange hedging contracts. We do not have foreign exchange hedging contracts in place with respect to all currencies in which we currently do business but may, from time to time, enter into additional foreign exchange hedging contracts in respect of other foreign currencies.

Currency hedging entails a risk of illiquidity and, to the extent the applicable foreign currency depreciates or appreciates against the Canadian dollar, the use of hedges could result in losses greater than if the hedging had not been used. There can be no assurance that our hedging strategies, if any, will be effective in the future or that we will be able to enter into foreign exchange hedging contracts on satisfactory terms.

Business Acquisitions

We leverage our relationships and network of industry participants and advisors to actively source and identify acquisition opportunities. We continue to pursue strategic acquisitions that enable us to further broaden and diversify product offerings and leverage current manufacturing and distribution facilities for new products. Any acquisitions may involve large transactions or realignment of existing investments, and present financial, managerial and operational challenges, which, if not successfully overcome, may reduce our profitability.

On June 1, 2022, we announced the signing of a definitive agreement to acquire Nutrawise Health & Beauty Corporation (“Nutrawise” or “youthery”), a U.S. based manufacturer and marketer of premium supplements under the youthery brand. We expect that this strategic milestone will create a platform for us to expand in the U.S., which hosts the world’s largest vitamin, mineral and supplements market, and leverage our broad Jamieson portfolio under the youthery brand. The transaction closed on July 19, 2022 and was valued at approximately USD \$210 million (\$265 million) comprised of USD \$185 million cash and USD \$25 million in Company shares plus potential additional consideration contingent on achieving pre-determined growth targets post-closing.

Implementation of Growth Strategies

We have a successful track record of growing revenues faster than the broader VMS segment and we believe we have a strong domestic and international growth strategy in place aimed at continuing to exceed broader industry growth rates. Our future success depends, in part, on management’s ability to implement our growth strategy,

including (i) product innovations within existing categories and growth into adjacent categories and continued growth of existing products in existing categories; (ii) further penetration into international markets and new geographies; and (iii) in support of our profitability targets, improvements in gross profit, earnings from operations and operating margins. The ability to implement this growth strategy depends, among other things, on our ability to develop new products and product line extensions that appeal to consumers, maintain and expand brand loyalty and brand recognition, maintain and improve competitive position in the channels in which we compete and identify and successfully enter and market products in new geographic markets, market segments and categories.

Regulation

In Canada and in the other jurisdictions in which we operate, we are subject to the laws and regulations applicable to any business engaged in formulation, production and distribution of consumer health products. This includes natural health product regulations, laws governing advertising, consumer protection regulations, environmental laws, laws governing the operation of warehouse facilities and labour and employment laws. We hold all required Health Canada site licenses, Canadian Food Inspection Agency certifications and import licenses for all of our manufacturing and distribution centres. Our products sold outside of Canada are subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods and we continuously monitor changes in these laws, regulations, treaties and agreements.

There is currently no uniform regulation applicable to natural health products worldwide and there has been an increasing movement in certain foreign markets to increase the regulation of natural health products. The adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements may result in compliance costs or lead us to discontinue product sales and may have an adverse effect on the marketing of our products, resulting in loss of sales. We believe that Canadian regulations are amongst the most stringent worldwide and, as we currently operate in compliance with these high standards, increased regulation in foreign jurisdictions makes us uniquely positioned to grow sales in such jurisdictions.

How We Assess the Performance of our Business

The key performance indicators below are used by management in evaluating the performance of our Company and assessing our business. We refer to certain key performance indicators used by management and typically used by our competitors in the Canadian consumer health industry, some of which are not recognized under IFRS as identified below. See “*Non-IFRS and Other Financial Measures*” for more information on each non-IFRS financial measure, non-IFRS ratio and supplementary measure. See “*Selected Consolidated Financial Information*” for a quantitative reconciliation of each non-IFRS financial measure to its most directly comparable financial measure disclosed in our financial statements to which the measure relates.

Revenue

The majority of our revenue is derived from the sale of Jamieson branded products to distributors, retail and wholesale customers, as well as providing contract manufacturing services and the sale of product through our Strategic Partners segment.

Revenue is recognized for the sale of Jamieson branded products and the manufacturing of products to our strategic partners at the point in time when control of the asset is transferred to the customer, based on applicable shipping terms. We generally have a right to payment at the time of delivery (which is the same time that we have satisfied our performance obligations under the arrangement), as such, a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due.

A portion of our revenue is derived from contract manufacturing services provided to customers in our Strategic Partners segment under a tolling arrangement where the customer supplies us with a raw material or ingredient. Revenue is recognized net of the cost of the raw material or ingredient supplied by the customer.

Rights of return give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method as this best predicts the amount of variable consideration to which we are

entitled. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. For products that are expected to be returned, a refund liability is recognized as a reduction of revenue at the time the control of the products purchased is transferred to the customers.

We may provide discounts and sales promotional incentives to our customers, which give rise to variable consideration. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. We apply the most likely amount method estimating discounts provided to customers using contracted rates and estimating sales promotional incentives provided to customers based on historical spending patterns. Jamieson may also provide other consideration to customers for customer-specific programs to promote the Company's products. Consequently, revenues are recognized net of these estimated program costs. All other estimated non-customer-specific promotional costs and consideration are expensed as selling, general and administrative ("SG&A") expenses.

In subsequent periods, we monitor the performance of customers against agreed-upon obligations related to sales incentive programs and make any adjustments to both revenue and sales incentive accruals as required.

As required for the interim consolidated financial statements, we have disaggregated revenue recognized from contracts with customers. Please refer to Note 11 in our unaudited condensed consolidated interim financial statements for the disclosure on disaggregated revenue.

USD Denominated Revenue

"USD denominated revenue" is defined as revenue in U.S. dollars, which excludes the impact of exchange rate fluctuations. USD denominated revenue is a supplementary financial measure.

Gross Profit

"Gross profit" is defined as revenue less cost of sales. Cost of sales includes product-related costs, labour, other operating costs such as rent, repair and maintenance, and amortization. Our cost of sales may include different costs compared to other manufacturers and distributors in the Canadian consumer health industry. Management believes that gross profit is a useful measure in assessing the Company's underlying operating performance before SG&A expenses and share-based compensation.

Gross Profit Margin

"Gross profit margin" is defined as gross profit divided by revenue. Gross profit margin is a supplementary financial measure.

Normalized Gross Profit and Normalized Gross Profit Margin

"Normalized gross profit" is defined as gross profit adjusted for non-operating expenses. Normalized gross profit is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is gross profit. We believe normalized gross profit is a useful measure in assessing our operating results by excluding the effects of expenses that are not reflective of our operating performance. "Normalized gross profit margin" is defined as normalized gross profit divided by revenue. Normalized gross profit margin is a non-IFRS ratio.

SG&A

Our SG&A expenses are predominantly comprised of wages, benefits, travel, marketing, accounting fees, legal fees, non-customer-specific promotional costs and other expenses related to the corporate infrastructure required to support our business. Our SG&A expenses also include regulatory, legal, accounting, insurance, termination benefits and other expenses associated with being a public company.

Normalized SG&A

“Normalized SG&A” is defined as SG&A adjusted for non-operating expenses. Normalized SG&A is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is SG&A. We believe normalized SG&A is a useful measure as it excludes the effects of expenses that are not reflective of our operating performance.

Earnings from Operations

“Earnings from operations” is defined as gross profit less SG&A expenses and share-based compensation.

Operating Margin

“Operating margin” is defined as earnings from operations divided by revenue. Operating margin is a supplementary financial measure.

Normalized Earnings from Operations and Normalized Operating Margin

“Normalized earnings from operations” is defined as earnings from operations adjusted for non-operating expenses. Normalized earnings from operations is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is earnings from operations. We believe normalized earnings from operations is a useful measure in assessing our operating results by excluding the effects of expenses that are not reflective of our operating performance. “Normalized operating margin” is defined as normalized earnings from operations divided by revenue. Normalized operating margin is a non-IFRS ratio.

EBITDA

“EBITDA” is defined as net earnings before: (i) provision for (recovery of) income taxes; (ii) interest expense (income); (iii) depreciation of property, plant, and equipment; and (iv) amortization of intangible assets. EBITDA is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is net earnings. We believe that EBITDA is a useful measure to assess the performance and cash flow of our Company.

Adjusted EBITDA

“Adjusted EBITDA” is defined as EBITDA before: (i) share-based compensation; (ii) foreign exchange gain/loss; (iii) IT system implementation (iv) business integration; (v) COVID-19 related costs; and (vi) other non-operating costs. Adjusted EBITDA is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is net earnings. We believe Adjusted EBITDA is a useful measure to assess the performance and cash flow of our Company as it provides more meaningful operating results by excluding the effects of interest, taxes, depreciation and amortization costs, expenses we believe are not reflective of our underlying business performance.

Adjusted EBITDA Margin

“Adjusted EBITDA margin” is defined as Adjusted EBITDA divided by revenue. Adjusted EBITDA Margin is a non-IFRS ratio. We believe Adjusted EBITDA margin is a useful measure to assess the performance and cash flow of our Company.

Adjusted Net Earnings

“Adjusted net earnings” is defined as consolidated net earnings adjusted for the impact of: (i) share-based compensation; (ii) foreign exchange gain/loss; (iii) acquisition related cost (iv) IT system implementation (v) COVID-19 related costs; (vi) business integration; and (vii) other non-operating costs net of related tax effects. Adjusted net earnings is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our

financial statements is net earnings. We believe Adjusted net earnings is a useful measure to assess the performance of our Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performance. “Acquisition related cost” has been added this quarter to reflect the youthery acquisition this quarter that is not reflective of our underlying business performance.

Adjusted Diluted Earnings per Share

“Adjusted diluted earnings per share” is defined as Adjusted net earnings divided by the total weighted average number of outstanding diluted shares at the end of the most recently completed quarter for the relevant period. Adjusted diluted earnings per share is a non-IFRS ratio. We believe Adjusted diluted earnings per share is a useful measure to assess the performance of our Company.

Net Debt

“Net debt” is defined as long-term debt less cash. Net debt is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is long-term debt. We believe net debt is a useful measure in managing our capital structure and financing requirements.

Cash from Operating Activities Before Working Capital Considerations

“Cash from operating activities before working capital considerations” is defined as cash from operating activities plus net change in non-cash working capital. Cash from operating activities before working capital considerations is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is cash flows from operating activities. We believe cash from operating activities before working capital considerations is a useful measure in assessing cash flow from operations and liquidity.

Selected Consolidated Financial Information

The following table provides selected historical financial information and other data of the Company which should be read in conjunction with our unaudited condensed consolidated interim financial statements and related notes. A quantitative reconciliation of net earnings to EBITDA, Adjusted EBITDA, and Adjusted net earnings can be found below for the respective fiscal periods.

	Three months ended		Six months ended	
	June 30		June 30	
	2022	2021	2022	2021
<i>(§ in 000's, except as otherwise noted)</i>				
Revenue	111,990	110,556	215,665	208,826
Cost of sales	71,277	72,232	137,005	136,614
Gross profit	40,713	38,324	78,660	72,212
Gross profit margin ⁽¹⁾	36.4%	34.7%	36.5%	34.6%
Selling, general and administrative expenses	24,996	21,224	46,616	41,990
Share-based compensation	1,136	1,057	2,278	3,659
Earnings from operations	14,581	16,043	29,766	26,563
Operating margin ⁽¹⁾	13.0%	14.5%	13.8%	12.7%
Foreign exchange loss/(gain)	(413)	117	50	133
Interest expense and other financing costs	1,238	1,371	2,516	2,786
Earnings before income taxes	13,756	14,555	27,200	23,644
Provision for income taxes	3,662	3,083	7,365	6,036
Net earnings	10,094	11,472	19,835	17,608
Adjusted net earnings ⁽²⁾	13,415	12,041	24,159	20,677
EBITDA ⁽²⁾	18,785	19,424	37,223	33,377
Adjusted EBITDA ⁽²⁾	24,439	22,327	45,384	40,869
Adjusted EBITDA margin ⁽³⁾	21.8%	20.2%	21.0%	19.6%
Weighted average number of shares				
Basic	40,461,610	40,078,646	40,451,991	39,984,741
Diluted	41,919,787	41,428,523	41,877,072	41,315,745
Earnings per share attributable to common shareholders:				
Basic, earnings per share	0.25	0.29	0.49	0.44
Diluted, earnings per share	0.24	0.28	0.47	0.43
Adjusted diluted, earnings per share ⁽³⁾	0.32	0.29	0.58	0.50

- (1) This is a supplementary financial measure and is used throughout this MD&A. See “*Non-IFRS and Other Financial Measures*” for more information on each supplementary financial measure. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such measure.
- (2) This is a non-IFRS financial measure and is used throughout this MD&A. See “*Non-IFRS and Other Financial Measures*” for more information on each non-IFRS financial measure. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such measure.
- (3) This is a non-IFRS ratio and is used throughout this MD&A. See “*Non-IFRS and Other Financial Measures*” for more information on each non-IFRS ratio. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such ratio.

The following table provides selected consolidated financial position data for the periods indicated.

<i>(\$ in 000's)</i>	<u>As at June 30, 2022</u>	<u>As at December 31, 2021</u>
Selected Consolidated Financial Position Data:		
Total assets	669,265	652,475
Total non-current liabilities	224,744	226,832

Results of Operations — three months ended June 30, 2022 and 2021

The following table provides a summary of our results for the three months ended June 30, 2022 and June 30, 2021.

<i>(\$ in 000's, except as otherwise noted)</i>	Three months ended June 30		\$ Change	% Change
	<u>2022</u>	<u>2021</u>		
Revenue	111,990	110,556	1,434	1.3%
Cost of sales	71,277	72,232	(955)	(1.3%)
Gross profit	40,713	38,324	2,389	6.2%
Gross profit margin	36.4%	34.7%	-	1.7%
Selling, general and administrative expenses	24,996	21,224	3,772	17.8%
Share-based compensation	1,136	1,057	79	7.5%
Earnings from operations	14,581	16,043	(1,462)	(9.1%)
Operating margin	13.0%	14.5%	-	(1.5%)
Foreign exchange loss/(gain)	(413)	117	(530)	(453.0%)
Interest expense and other financing costs	1,238	1,371	(133)	(9.7%)
Earnings before income taxes	13,756	14,555	(799)	(5.5%)
Provision for income taxes	3,662	3,083	579	18.8%
Net earnings	10,094	11,472	(1,378)	(12.0%)
Adjusted net earnings	13,415	12,041	1,374	11.4%
EBITDA	18,785	19,424	(639)	(3.3%)
Adjusted EBITDA	24,439	22,327	2,112	9.5%
Adjusted EBITDA margin	21.8%	20.2%	-	1.6%

The following tables provide a quantitative reconciliation of net earnings to EBITDA, Adjusted EBITDA, and Adjusted net earnings, as well as gross profit to normalized gross profit, SG&A to normalized SG&A, earnings from operations to normalized earnings from operations, each of which are non-IFRS financial measures (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the three months ended June 30, 2022 and June 30, 2021.

	Three months ended			
	June 30			
	2022	2021	\$ Change	% Change
<i>(\$ in 000's, except as otherwise noted)</i>				
Net earnings	10,094	11,472	(1,378)	(12.0%)
<i>Add:</i>				
Provision for income taxes	3,662	3,083	579	18.8%
Interest expense and other financing costs	1,238	1,371	(133)	(9.7%)
Depreciation of property, plant, and equipment	2,722	2,438	284	11.6%
Amortization of intangible assets	1,069	1,060	9	0.8%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	18,785	19,424	(639)	(3.3%)
Share-based compensation ⁽¹⁾	1,136	1,057	79	7.5%
Foreign exchange loss/(gain)	(413)	117	(530)	(453.0%)
Acquisition related cost ⁽²⁾	3,484	-	3,484	100.0%
IT system implementation ⁽³⁾	1,436	-	1,436	100.0%
COVID-19 related costs ⁽⁴⁾	11	1,480	(1,469)	(99.3%)
Other ⁽⁵⁾	-	249	(249)	(100.0%)
Adjusted EBITDA	24,439	22,327	2,112	9.5%
Provision for income taxes	(3,662)	(3,083)	(579)	(18.8%)
Interest expense and other financing costs	(1,238)	(1,371)	133	9.7%
Depreciation of property, plant, and equipment	(2,722)	(2,438)	(284)	(11.6%)
Amortization of intangible assets	(1,069)	(1,060)	(9)	(0.8%)
Share-based compensation ⁽⁶⁾	(1,136)	(1,845)	709	38.4%
Tax effect of normalization adjustments	(1,197)	(489)	(708)	(144.8%)
Adjusted net earnings	13,415	12,041	1,374	11.4%

	Three months ended			
	June 30			
	2022	2021	\$ Change	% Change
<i>(\$ in 000's, except as otherwise noted)</i>				
Gross profit	40,713	38,324	2,389	6.2%
Other ⁽⁵⁾	-	137	(137)	(100.0%)
Normalized gross profit ⁽⁷⁾	40,713	38,461	2,252	5.9%
Normalized gross profit margin ⁽⁸⁾	36.4%	34.8%	-	1.6%
Selling, general and administrative expenses	24,996	21,224	3,772	17.8%
Acquisition related cost ⁽²⁾	(3,484)	-	(3,484)	(100.0%)
IT system implementation ⁽³⁾	(1,436)	-	(1,436)	(100.0%)
COVID-19 related costs ⁽⁴⁾	(11)	(1,480)	1,469	99.3%
Other ⁽⁵⁾	-	(112)	112	100.0%
Normalized selling, general and administrative expenses ⁽⁷⁾	20,065	19,632	433	2.2%
Earnings from operations	14,581	16,043	(1,462)	(9.1%)
Acquisition related cost ⁽²⁾	3,484	-	3,484	100.0%
IT system implementation ⁽³⁾	1,436	-	1,436	100.0%
COVID-19 related costs ⁽⁴⁾	11	1,480	(1,469)	(99.3%)
Other ⁽⁵⁾	-	249	(249)	(100.0%)
Normalized earnings from operations ⁽⁷⁾	19,512	17,772	1,740	9.8%
Normalized operating margin ⁽⁸⁾	17.4%	16.1%	-	1.3%

(1) The Company's share-based compensation expense pertains to our long-term incentive plan (the "LTIP") (refer to "Share-based compensation"), with performance-based share units ("PSUs"), time-based restricted

share units (“RSUs”), and deferred share units (“DSUs”) expenses, along with associated payroll taxes. Please refer to Note 7 in our unaudited condensed consolidated interim financial statements.

- (2) Current quarter expense mainly pertains to costs for legal, due diligence, regulatory, tax, and fairness opinions relating to our acquisition of youtheory which closed on July 19, 2022.
- (3) Current quarter expenses relate to system implementation costs as we build out our advanced supply chain planning infrastructure. Unlike other system improvement projects with costs capitalized, due to its cloud-based nature, these system implementation costs are expensed accordingly.
- (4) We incurred costs related to COVID-19 which do not reflect the ongoing costs of operation. Similar to prior year, these costs are primarily associated with the implementation of additional safety measures at our facilities, including the use of rapid testing to detect and prevent spread in our manufacturing facilities. In prior year, costs included a voluntary two-week closure of our Scarborough facility at the recommendation of Toronto public health to minimize the risk of COVID-19 spread within our employee population, which resulted in a minor impact on utilization with no significant service interruption to our customers. It also included shift premiums to essential Jamieson hourly staff who maintained production during government lockdowns, and donation of vitamins and supplements to charitable organizations.
- (5) Prior year expenses mainly pertained to start-up costs related to our transition to a third-party logistics model to make room for capacity expansion at our Twin Oaks and Scarborough distribution facilities.
- (6) Costs pertaining to our LTIP, excluding PSUs and RSUs granted to certain employees. Prior year expense was net of tax benefits realized on the vesting of certain share-based awards (refer to “*Share-based compensation*”).
- (7) This is a non-IFRS financial measure and is used throughout this MD&A. See “Non-IFRS and Other Financial Measures” for more information on each non-IFRS financial measure. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such measure.
- (8) This is a non-IFRS ratio and is used throughout this MD&A. See “*Non-IFRS and Other Financial Measures*” for more information on each non-IFRS ratio. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such ratio.

The following table provides selected financial information for the Jamieson Brands operating segment for the three months ended June 30, 2022 and June 30, 2021.

Jamieson Brands

(\$ in 000's, except as otherwise noted)

For the three months ended June 30,

	2022	2021	\$ Change	% Change
Revenue	87,715	82,391	5,324	6.5%
Gross profit	37,875	34,467	3,408	9.9%
Gross profit margin	43.2%	41.8%	-	1.4%
Normalized gross profit	37,875	34,604	3,271	9.5%
Normalized gross profit margin	43.2%	42.0%	-	1.2%
Selling, general and administrative expenses	23,448	19,226	4,222	22.0%
Normalized selling, general and administrative expenses	18,517	17,956	561	3.1%
Share-based compensation	1,136	1,057	79	7.5%
Earnings from operations	13,291	14,184	(893)	(6.3%)
Operating margin	15.2%	17.2%	-	(2.0%)
Normalized earnings from operations	18,222	15,591	2,631	16.9%
Normalized operating margin	20.8%	18.9%	-	1.9%
Adjusted EBITDA	22,557	19,645	2,912	14.8%
Adjusted EBITDA margin	25.7%	23.8%	-	1.9%

The following table provides a quantitative reconciliation for the Jamieson Brands operating segment from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the three months ended June 30, 2022 and June 30, 2021.

(\$ in 000's, except as otherwise noted)

For the three months ended June 30,	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	13,291	14,184	(893)	(6.3%)
Depreciation of property, plant, and equipment	2,130	1,937	193	10.0%
Amortization of intangible assets	1,069	1,060	9	0.8%
Share-based compensation	1,136	1,057	79	7.5%
Acquisition related cost	3,484	-	3,484	100.0%
IT system implementation	1,436	-	1,436	100.0%
COVID-19 related costs	11	1,183	(1,172)	(99.1%)
Other	-	224	(224)	(100.0%)
Adjusted EBITDA	<u>22,557</u>	<u>19,645</u>	<u>2,912</u>	<u>14.8%</u>

The following table provides selected financial information for the Strategic Partners operating segment for the three months ended June 30, 2022 and June 30, 2021.

Strategic Partners

(\$ in 000's, except as otherwise noted)

For the three months ended June 30,	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	24,275	28,165	(3,890)	(13.8%)
Gross profit	2,838	3,857	(1,019)	(26.4%)
Gross profit margin	11.7%	13.7%	-	(2.0%)
Selling, general and administrative expenses	1,548	1,998	(450)	(22.5%)
Normalized selling, general and administrative expenses	1,548	1,676	(128)	(7.6%)
Earnings from operations	1,290	1,859	(569)	(30.6%)
Operating margin	5.3%	6.6%	-	(1.3%)
Normalized earnings from operations	1,290	2,181	(891)	(40.9%)
Normalized operating margin	5.3%	7.7%	-	(2.4%)
Adjusted EBITDA	1,882	2,682	(800)	(29.8%)
Adjusted EBITDA margin	7.8%	9.5%	-	(1.7%)

The following table provides a quantitative reconciliation for the Strategic Partners operating segment from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the three months ended June 30, 2022 and June 30, 2021.

(\$ in 000's, except as otherwise noted)

For the three months ended June 30,	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	1,290	1,859	(569)	(30.6%)
Depreciation of property, plant, and equipment	592	501	91	18.2%
COVID-19 related costs	-	297	(297)	(100.0%)
Other	-	25	(25)	(100.0%)
Adjusted EBITDA	<u>1,882</u>	<u>2,682</u>	<u>(800)</u>	<u>(29.8%)</u>

Revenue

Revenue increased by 1.3%, or \$1.4 million, to \$112.0 million in Q2 2022. This was driven by 6.5% growth in Jamieson Brands revenue, partially offset by a 13.8% decline in Strategic Partners revenue compared with Q2 2021.

Revenue in the Jamieson Brands segment increased by \$5.3 million, or 6.5%, to \$87.7 million in Q2 2022 mainly due to growth in domestic Jamieson Brands sales. Our domestic Jamieson Brands sales increased by 8.0% in

Q2 2022, reflecting continued strong consumer demand and point of purchase growth reflecting consumers' prioritization of their health and wellness. Our international revenue remained flat on a reported basis from prior year reflecting the temporary shift in purchasing pattern in our Eastern European markets due to the geopolitical situation in Ukraine, offsetting continued growth in China cross border e-commerce ("CBEC") despite widespread COVID-19 related lockdowns in Shanghai and Beijing affecting CBEC during the quarter.

Revenue in the Strategic Partners segment decreased by \$3.9 million, or 13.8%, to \$24.3 million in Q2 2022 reflecting order timing while overlapping prior year's production planning which resulted in significant growth of 48.9%.

Gross profit

Gross profit increased by \$2.4 million to \$40.7 million in Q2 2022. Normalized gross profit increased by \$2.3 million mainly driven by revenue growth and improved gross profit margin in the Jamieson Brands segment. Normalized gross profit margin increased by 160 basis points to 36.4% in Q2 2022, reflecting margin improvements in our Jamieson Brands segment and the mix impact of proportionally higher Branded sales, partially offset by lower margins in our Strategic Partners segment.

Gross profit in the Jamieson Brands segment increased by \$3.4 million to \$37.9 million in Q2 2022. Normalized gross profit in the Jamieson Brands segment increased by \$3.3 million mainly driven by revenue growth and timing of trade investments. Normalized gross profit margin increased by 120 basis points to 43.2% due to favourable mix and timing of trade investments offsetting elevated global supply chain costs.

Gross profit in the Strategic Partners segment decreased by \$1.0 million to \$2.8 million and gross profit margin decreased by 200 basis points to 11.7% in Q2 2022 mainly due to production volume timing and higher global supply chain and input costs, partially offset by favourable customer mix.

Selling, general and administrative expenses

SG&A expenses increased by \$3.8 million to \$25.0 million in Q2 2022. Normalized for the impact of specified costs, SG&A expenses increased by \$0.4 million or 2.2% to \$20.1 million in Q2 2022. Normalized SG&A in the Jamieson Brands segment was \$0.6 million higher than Q2 2021 mainly due to additional resources in support of our strategic initiatives and timing of our marketing investments to promote domestic and international brand presence. Normalized SG&A in the Strategic Partners segment was relatively flat compared to Q2 2021.

Specified costs of \$4.9 million in Q2 2022 are mainly comprised of acquisition related costs relating to the youtheory acquisition and IT system implementation costs. Specified costs of \$1.6 million in Q2 2021 were related to additional safety measures implemented at our facilities, including the voluntary two-week closure of our Scarborough facility, the establishment of rapid testing programs at each of our manufacturing facilities, COVID-19 wage premiums, and donations.

Share-based compensation

Share-based compensation remains flat at \$1.1 million in Q2 2022.

Earnings from operations and operating margin

Earnings from operations decreased by \$1.5 million as a result of higher fixed costs offsetting higher revenue and gross profit. Operating margin decreased by 150 basis points to 13.0% in Q2 2022 due to factors affecting gross profit margin discussed above and higher SG&A expenses as a percentage of revenue mainly from costs associated with the youtheory acquisition. Normalized earnings from operations increased by \$1.7 million, or 9.8% in Q2 2022 and normalized operating margin was 17.4% compared with 16.1% in Q2 2021.

Earnings from operations in the Jamieson Brands segment decreased by \$0.9 million and operating margin decreased by 200 basis point to 15.2% in Q2 2022 due to higher revenue on expanded margins offset by higher SG&A expenses as a percentage of revenues.

Earnings from operations in the Strategic Partners segment decreased by \$0.6 million due to lower revenue and gross profit. Operating margin decreased by 130 basis points to 5.3% in Q2 2022 due to factors impacting gross profit margin discussed above.

Foreign exchange loss/(gain)

Foreign exchange gain of \$0.4 million in Q2 2022 was a result of changes in the USD/CAD exchange rate on our USD denominated accounts receivable and accounts payable at the end of the quarter. We experience fluctuations in the USD/CAD exchange rates between the date of transaction and when cash is realized.

Interest expense and other financing costs

Interest expense and other financing costs decreased by \$0.1 million to \$1.2 million in Q2 2022 due to lower average borrowings in the quarter.

Provision for income taxes

Provision for income taxes was \$3.7 million in Q2 2022 compared with \$3.1 million in Q2 2021. Our Q2 2022 effective tax rate of 26.6% and Q2 2021 effective tax rate of 21.2% includes the impact of non-deductible share-based compensation expenses. The prior period's provision and tax rate include a tax deduction of \$0.9 million from the vesting of certain share-based awards.

Depreciation

Depreciation expense increased by \$0.3 million to \$2.7 million in Q2 2022 due to increases in our capital investments to increase capacity.

Amortization

Amortization expense remains consistent with prior year.

EBITDA and Adjusted EBITDA

EBITDA decreased by \$0.6 million to \$18.8 million in Q2 2022 primarily due to the factors discussed above.

Adjusted EBITDA increased by \$2.1 million to \$24.4 million driven by higher volumes and contribution margins. Adjusted EBITDA margin increased by 160 basis points to 21.8% for the quarter reflecting margin improvements at our Jamieson Brands segment, along with the mix impact of its proportionally higher sales.

Adjusted EBITDA in the Jamieson Brands segment increased by \$2.9 million to \$22.6 million and Adjusted EBITDA margin increased by 190 basis points to 25.7% driven by higher volumes on expanded margins from mix and timing of trade investment, and lower fixed costs as a percentage of revenues.

Adjusted EBITDA in the Strategic Partners segment decreased by \$0.8 million, to \$1.9 million and Adjusted EBITDA margin decreased by 170 basis points to 7.8% impacted by mix offset by anticipated volumes timing, temporarily lower margins, and higher fixed costs as a percentage of revenues.

Results of Operations — six months ended June 30, 2022 and 2021

The following table provides a summary of our results for the six months ended June 30, 2022 and June 30, 2021.

	Six months ended June 30		\$ Change	% Change
	2022	2021		
<i>(\$ in 000's, except as otherwise noted)</i>				
Revenue	215,665	208,826	6,839	3.3%
Cost of sales	137,005	136,614	391	0.3%
Gross profit	78,660	72,212	6,448	8.9%
Gross profit margin	36.5%	34.6%	-	1.9%
Selling, general and administrative expenses	46,616	41,990	4,626	11.0%
Share-based compensation	2,278	3,659	(1,381)	(37.7%)
Earnings from operations	29,766	26,563	3,203	12.1%
Operating margin	13.8%	12.7%	-	1.1%
Foreign exchange loss	50	133	(83)	(62.4%)
Interest expense and other financing costs	2,516	2,786	(270)	(9.7%)
Earnings before income taxes	27,200	23,644	3,556	15.0%
Provision for income taxes	7,365	6,036	1,329	22.0%
Net earnings	19,835	17,608	2,227	12.6%
Adjusted net earnings	24,159	20,677	3,482	16.8%
EBITDA	37,223	33,377	3,846	11.5%
Adjusted EBITDA	45,384	40,869	4,515	11.0%
Adjusted EBITDA margin	21.0%	19.6%	-	1.4%

The following tables provide a quantitative reconciliation of net earnings to EBITDA, Adjusted EBITDA, and Adjusted net earnings, as well as gross profit to normalized gross profit, SG&A to normalized SG&A, earnings from operations to normalized earnings from operations, each of which are non-IFRS financial measures (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the six months ended June 30, 2022 and June 30, 2021.

	Six months ended June 30		\$ Change	% Change
	2022	2021		
<i>(\$ in 000's, except as otherwise noted)</i>				
Net earnings	19,835	17,608	2,227	12.6%
<i>Add:</i>				
Provision for income taxes	7,365	6,036	1,329	22.0%
Interest expense and other financing costs	2,516	2,786	(270)	(9.7%)
Depreciation of property, plant, and equipment	5,380	4,834	546	11.3%
Amortization of intangible assets	2,127	2,113	14	0.7%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	37,223	33,377	3,846	11.5%
Share-based compensation ⁽¹⁾	2,278	3,659	(1,381)	(37.7%)
Foreign exchange loss	50	133	(83)	(62.4%)
Acquisition related cost ⁽²⁾	3,484	-	3,484	100.0%
IT system implementation ⁽³⁾	2,175	-	2,175	100.0%
COVID-19 related costs ⁽⁴⁾	174	2,178	(2,004)	(92.0%)
Business integration ⁽⁵⁾	-	1,701	(1,701)	(100.0%)
Other ⁽⁶⁾	-	(179)	179	100.0%
Adjusted EBITDA	45,384	40,869	4,515	11.0%
Provision for income taxes	(7,365)	(6,036)	(1,329)	(22.0%)
Interest expense and other financing costs	(2,516)	(2,786)	270	9.7%
Depreciation of property, plant, and equipment	(5,380)	(4,834)	(546)	(11.3%)
Amortization of intangible assets	(2,127)	(2,113)	(14)	(0.7%)
Share-based compensation ⁽⁷⁾	(2,278)	(3,407)	1,129	33.1%
Tax effect of normalization adjustments	(1,559)	(1,016)	(543)	(53.4%)
Adjusted net earnings	24,159	20,677	3,482	16.8%

	Six months ended June 30		\$ Change	% Change
	2022	2021		
<i>(\$ in 000's, except as otherwise noted)</i>				
Gross profit	78,660	72,212	6,448	8.9%
Business integration ⁽⁵⁾	-	627	(627)	(100.0%)
Normalized gross profit	78,660	72,839	5,821	8.0%
Normalized gross profit margin	36.5%	34.9%	-	1.6%
Selling, general and administrative expenses	46,616	41,990	4,626	11.0%
Acquisition related cost ⁽²⁾	(3,484)	-	(3,484)	(100.0%)
IT system implementation ⁽³⁾	(2,175)	-	(2,175)	(100.0%)
COVID-19 related costs ⁽⁴⁾	(174)	(2,178)	2,004	92.0%
Business integration ⁽⁵⁾	-	(1,074)	1,074	100.0%
Other ⁽⁶⁾	-	179	(179)	(100.0%)
Normalized selling, general and administrative expenses	40,783	38,917	1,866	4.8%
Earnings from operations	29,766	26,563	3,203	12.1%
Acquisition related cost ⁽²⁾	3,484	-	3,484	100.0%
IT system implementation ⁽³⁾	2,175	-	2,175	100.0%
COVID-19 related costs ⁽⁴⁾	174	2,178	(2,004)	(92.0%)
Business integration ⁽⁵⁾	-	1,701	(1,701)	(100.0%)
Other ⁽⁶⁾	-	(179)	179	100.0%
Normalized earnings from operations	35,599	30,263	5,336	17.6%
Normalized operating margin	16.5%	14.5%	-	2.0%

- (1) The Company's share-based compensation expense pertains to our LTIP (refer to "*Share-based compensation*"), with PSUs, RSUs, and DSUs expenses, along with associated payroll taxes. Prior year includes the acceleration of share-based compensation expense on our CEO transition in Q1 2021. Please refer to Note 7 in our unaudited condensed consolidated interim financial statements.
- (2) Current year expense mainly pertains to costs for legal, due diligence, regulatory, tax, and fairness opinions relating to the youthery acquisition.
- (3) Current year expenses relate to system implementation costs as we build out our advanced supply chain planning infrastructure. Unlike other system improvement projects with costs capitalized, due to its cloud-based nature, these system implementation costs are expensed accordingly.
- (4) We incurred costs related to COVID-19 which do not reflect the ongoing costs of operation. Similar to prior year, these costs are primarily associated with the implementation of additional safety measures at our facilities, including the use of rapid testing to detect and prevent spread in our manufacturing facilities. In prior year, costs included a voluntary two-week closure of our Scarborough facility at the recommendation of Toronto public health to minimize the risk of COVID-19 spread within our employee population, which resulted in a minor impact on utilization with no significant service interruption to our customers. It also included shift premiums to essential Jamieson hourly staff who maintained production during government lockdowns, and donation of vitamins and supplements to charitable organizations.
- (5) Prior year expenses mainly pertained to start-up costs to complete our transition to a third-party logistics provider to make room for capacity expansion at our Twin Oaks and Scarborough distribution facilities.
- (6) Prior year expense primarily consisted of a litigation settlement we received.
- (7) Costs pertaining to our LTIP, excluding PSUs and RSUs granted to certain employees. Prior year expenses included the acceleration of share-based compensation expense in relation to our CEO transition, net of \$0.9 million in tax benefits realized on the vesting of certain share-based awards (refer to "*Share-based compensation*").

The following table provides selected financial information for the Jamieson Brands operating segment for the six months ended June 30, 2022 and June 30, 2021.

Jamieson Brands

(\$ in 000's, except as otherwise noted)

For the six months ended June 30,

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	170,903	158,286	12,617	8.0%
Gross profit	73,492	65,524	7,968	12.2%
Gross profit margin	43.0%	41.4%	-	1.6%
Normalized gross profit	73,492	66,151	7,341	11.1%
Normalized gross profit margin	43.0%	41.8%	-	1.2%
Selling, general and administrative expenses	43,499	38,506	4,993	13.0%
Normalized selling, general and administrative expenses	37,714	35,637	2,077	5.8%
Share-based compensation	2,278	3,659	(1,381)	(37.7%)
Earnings from operations	27,715	23,359	4,356	18.6%
Operating margin	16.2%	14.8%	-	1.4%
Normalized earnings from operations	33,500	26,855	6,645	24.7%
Normalized operating margin	19.6%	17.0%	-	2.6%
Adjusted EBITDA	42,097	36,470	5,627	15.4%
Adjusted EBITDA margin	24.6%	23.0%	-	1.6%

The following table provides a quantitative reconciliation for the Jamieson Brands operating segment from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the six months ended June 30, 2022 and June 30, 2021.

(\$ in 000's, except as otherwise noted)

For the six months ended June 30,

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	27,715	23,359	4,356	18.6%
Depreciation of property, plant, and equipment	4,191	3,843	348	9.1%
Amortization of intangible assets	2,127	2,113	14	0.7%
Share-based compensation	2,278	3,659	(1,381)	(37.7%)
Acquisition related cost	3,484	-	3,484	100.0%
IT system implementation	2,175	-	2,175	100.0%
COVID-19 related costs	127	1,783	(1,656)	(92.9%)
Business integration	-	1,631	(1,631)	(100.0%)
Other	-	82	(82)	(100.0%)
Adjusted EBITDA	42,097	36,470	5,627	15.4%

The following table provides selected financial information for the Strategic Partners operating segment for the six months ended June 30, 2022 and June 30, 2021.

Strategic Partners

(\$ in 000's, except as otherwise noted)

For the six months ended June 30,

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	44,762	50,540	(5,778)	(11.4%)
Gross profit	5,168	6,688	(1,520)	(22.7%)
Gross profit margin	11.5%	13.2%	-	(1.7%)
Selling, general and administrative expenses	3,117	3,484	(367)	(10.5%)
Normalized selling, general and administrative expenses	3,069	3,279	(210)	(6.4%)
Earnings from operations	2,051	3,204	(1,153)	(36.0%)
Operating margin	4.6%	6.3%	-	(1.7%)
Normalized earnings from operations	2,099	3,409	(1,310)	(38.4%)
Normalized operating margin	4.7%	6.7%	-	(2.0%)
Adjusted EBITDA	3,287	4,399	(1,112)	(25.3%)
Adjusted EBITDA margin	7.3%	8.7%	-	(1.4%)

The following table provides a quantitative reconciliation for the Strategic Partners operating segment from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the six months ended June 30, 2022 and June 30, 2021.

(\$ in 000's, except as otherwise noted)

For the six months ended June 30,

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	2,051	3,204	(1,153)	(36.0%)
Depreciation of property, plant, and equipment	1,189	991	198	20.0%
COVID-19 related costs	47	395	(348)	(88.1%)
Business integration	-	70	(70)	(100.0%)
Other	-	(261)	261	100.0%
Adjusted EBITDA	3,287	4,399	(1,112)	(25.3%)

Revenue

Revenue increased by 3.3%, or \$6.8 million, to \$215.7 million in YTD 2022. This was driven by 8.0% growth in Jamieson Brands revenue, partially offset by an 11.4% decline in Strategic Partners revenue year-over-year.

Revenue in the Jamieson Brands segment increased by \$12.6 million, or 8.0%, to \$170.9 million in YTD 2022 mainly due to growth in domestic and international Jamieson Brands sales of \$11.0 million and \$1.6 million respectively. Our domestic Jamieson Brands sales increased by 8.5% over prior year, due to an expanded consumer base and point of purchase growth reflecting the consumers’ prioritization of their health and wellness, timing of sales to support seasonal promotional activities, and pricing. Our international business grew 5.7% on a reported basis versus prior year led by continued growth in China while lapping strong growth from non-immunity production during the same period in the prior year.

Revenue in the Strategic Partners segment decreased by \$5.8 million, or 11.4%, to \$44.8 million in YTD 2022 mainly due to order timing while lapping prior year’s production planning which resulted in significant growth of 50.2%.

Gross profit

Gross profit increased by \$6.4 million to \$78.7 million in YTD 2022, including \$0.6 million in prior year primarily relating to start-up costs to complete our transition to a third-party logistics provider. Normalized gross profit increased by \$5.8 million mainly driven by revenue growth and improved gross profit margin in the Jamieson Brands segment. Normalized gross profit margin increased by 160 basis points to 36.5% in YTD 2022, reflecting

margin improvements in our Jamieson Brands segment and the mix impact of its proportionally higher Branded sales, partially offset by lower margin in our Strategic Partners segment.

Normalized gross profit in the Jamieson Brands segment increased by \$7.3 million mainly driven by revenue growth. Normalized gross profit margin increased by 120 basis points to 43.0% compared with YTD 2021 due to favourable mix, timing of trade investment, and volume growth driving leverage on our manufacturing assets offsetting elevated global supply chain costs.

Gross profit in the Strategic Partners segment decreased by \$1.5 million to \$5.2 million and gross profit margin decreased by 170 basis points to 11.5% in YTD 2022 mainly due to production volume timing, and higher global supply chain and input costs, partially offset by favourable customer mix.

Selling, general and administrative expenses

SG&A expenses increased by \$4.6 million to \$46.6 million in YTD 2022. Normalized for the impact of specified costs, SG&A expenses increased by \$1.9 million or 4.8% to \$40.8 million in YTD 2022. Normalized SG&A in the Jamieson Brands segment was \$2.1 million higher mainly due to additional resources to support our strategic initiatives, along with timing of our marketing investments to promote domestic and international brand presence. Normalized SG&A in the Strategic Partners segment was relatively consistent at a decrease of \$0.2 million compared with prior year.

Specified costs of \$5.8 million in YTD 2022 are mainly comprised of acquisition related costs relating to the youthery acquisition, IT system implementation costs, and COVID-19 related safety measures implemented at our manufacturing facilities. Specified costs of \$3.1 million in YTD 2021 were mainly comprised of start-up costs to complete our transition to a third-party logistics provider, additional safety measures implemented at our facilities, including the voluntary two-week closure of our Scarborough facility and the establishment of rapid antigen testing program at each of our manufacturing facilities, COVID-19 wage premiums, and donations.

Share-based compensation

Share-based compensation reduced by \$1.4 million in YTD 2022 mainly due to accelerated share-based compensation expense in relation to our CEO transition in the prior year.

Earnings from operations and operating margin

Earnings from operations increased by \$3.2 million in YTD 2022 as a result of higher revenue and gross profit. Operating margin increased by 110 basis points to 13.8% in YTD 2022 mainly due to factors impacting gross profit margin discussed above offsetting higher SG&A expenses as a percentage of revenue. Normalized earnings from operations increased by \$5.3 million, or 17.6% in YTD 2022 and normalized operating margin was 16.5% compared with 14.5% in YTD 2021.

Earnings from operations in the Jamieson Brands segment increased by \$4.4 million to \$27.7 million and operating margin increased by 140 basis points to 16.2% in YTD 2022 due to factors impacting gross profit margin and higher SG&A expenses.

Earnings from operations in the Strategic Partners segment decreased by \$1.2 million to \$2.1 million and operating margin decreased by 170 basis points to 4.6% in YTD 2022 primarily due to factors impacting gross profit margin discussed above.

Foreign exchange loss

Foreign exchange loss in YTD 2022 is due to fluctuations in the USD/CAD exchange rates between the date of transaction and when cash is realized.

Interest expense and other financing costs

Interest expense and other financing costs decreased by \$0.3 million to \$2.5 million in YTD 2022 due to lower average borrowings.

Provision for income taxes

Provision for income taxes was \$7.4 million in YTD 2022 compared with \$6.0 million in YTD 2021. Our YTD 2022 effective tax rate of 27.1% is higher than YTD 2021 of 25.5% due to a tax deduction of \$0.9 million from the vesting of certain share-based awards in the prior year.

Depreciation

Depreciation expense increased by \$0.5 million to \$5.4 million in YTD 2022 due to increases in our capital investments to increase capacity.

Amortization

Amortization expense remains consistent with prior year.

EBITDA and Adjusted EBITDA

EBITDA increased by \$3.8 million to \$37.2 million in YTD 2022 primarily due to the factors discussed above.

Adjusted EBITDA increased by \$4.5 million to \$45.4 million driven by higher volumes and contribution margins. Adjusted EBITDA margin increased by 140 basis points to 21.0% due to margin improvements at our Jamieson Brands segment, along with the mix impact of its proportionally higher sales.

Adjusted EBITDA in the Jamieson Brands segment increased by \$5.6 million to \$42.1 million and Adjusted EBITDA margin increased by 160 basis points to 24.6% in YTD 2022 due to factors impacting gross profit margin discussed above and higher SG&A expenses as a percentage of revenues.

Adjusted EBITDA in the Strategic Partners segment decreased by \$1.1 million, to \$3.3 million and Adjusted EBITDA margin decreased by 140 basis point to 7.3% primarily driven by anticipated lower volumes.

Summary of Consolidated Quarterly Results

The following is a summary of selected consolidated financial information for each of the eight most recently completed quarters prepared in accordance with IFRS.

(\$ in 000's, except per share amounts)	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue by segment								
Jamieson Brands	87,715	83,188	99,784	85,175	82,391	75,895	89,733	82,604
Strategic Partners	24,275	20,487	30,054	27,193	28,165	22,375	30,636	22,961
Total revenue	111,990	103,675	129,838	112,368	110,556	98,270	120,369	105,565
Earnings from operations	14,581	15,185	28,874	20,593	16,043	10,520	22,734	17,804
Net earnings	10,094	9,741	20,190	14,284	11,472	6,136	15,405	12,144
Adjusted net earnings	13,415	10,744	20,489	14,051	12,041	8,636 ⁽¹⁾	17,614	12,655
EBITDA	18,785	18,438	32,225	24,794	19,424	13,953	25,417	21,202
Adjusted EBITDA	24,439	20,945	33,771	25,456	22,327	18,542	29,383	22,933
Basic, earnings per share	0.25	0.24	0.50	0.35	0.29	0.15	0.39	0.31
Diluted, earnings per share	0.24	0.23	0.48	0.34	0.28	0.15	0.37	0.29
Adjusted diluted, earnings per share	0.32	0.26	0.49	0.34	0.29	0.21	0.42	0.30

(1) Q1 2021 Adjusted net earnings and Adjusted diluted earnings per share has been adjusted for \$0.6 million of share-based compensation expense in relation to our CEO transition.

Revenue

Jamieson Brands segment revenue for the last eight quarters were impacted by factors including the following:

- accelerated demand for immunity and general health products as a result of the COVID-19 pandemic;
- periodic price increases to recapture cost escalation;
- the impact of innovation within our core VMS portfolio;
- shipment fluctuations in our international markets;
- the volume and timing of promotion and media;
- the volume of inventory and timing of shipments to distributors and retailers;
- seasonality;
- severity of cold and flu season; and
- foreign currency fluctuations.

Strategic Partners segment revenue for the last eight quarters were impacted by factors including the following:

- available capacity when considering demand for Jamieson Brands products;
- launch of new programs with existing or new customers, which include initial pipeline shipments;
- availability of customer supplied materials;
- innovation and geographic demand for high quality certified manufacturers;
- periodic price increases to recapture cost escalation; and
- foreign currency fluctuations.

Earnings from operations

Earnings from operations for the last eight quarters were also impacted by factors including the following:

- revenue factors impacting price and volume noted above;
- return on incremental promotion and marketing programs;
- improvements in production efficiencies and higher economies of scale;

- temporary increases to production costs driven by physical distancing initiatives, rapid antigen testing and other safety measures established within our facilities to protect our employees as a result of the COVID-19 pandemic;
- supply continuity costs including air freight and third-party manufacturing and packaging costs to meet higher demand during the COVID-19 pandemic;
- additional costs incurred in our transition to a third-party logistics model to make room for capacity expansion at our Twin Oaks and Scarborough distribution facilities;
- increases to supply chain costs due to the impact of COVID-19 pandemic and other global geopolitical factors;
- raw material costs in native currency;
- timing of marketing spends and variable compensation;
- accelerated recognition of share-based compensation expense in relation to our previous CEO's retirement; and
- foreign currency fluctuations.

Liquidity and Capital Resources

Overview

Our principal uses of funds are for operating expenses, capital expenditures, finance costs, and debt service. Management believes that cash generated from operations, together with amounts available under our Credit Facilities (refer to “*Credit Facilities*”), will be sufficient to meet our future operating expenses, capital expenditures, and future debt service costs.

Our primary liquidity and capital requirements are for capital expenditures, working capital and general corporate needs. We have cash and availability under our Credit Facilities that we expect to utilize, along with cash flow from operations, to provide capital to support the growth of our business (primarily through working capital and capital expenditures), repay short-term obligations and for general corporate purposes. We believe that cash from operations, together with our cash balance and our Credit Facilities will be sufficient to meet ongoing capital expenditures, working capital requirements and other cash needs.

Our ability to fund future debt service costs, operating expenses, and capital expenditures will depend on our future operating performance which will be affected by general economic, financial and other factors including factors beyond our control (refer to “*Risk Factors*”). From time to time, management reviews acquisition opportunities and if suitable opportunities arise, may make selected acquisitions to implement our business strategy. Historically, the funding for any such acquisitions has come from cash flow from operating activities and additional debt.

Credit Facilities

As at June 30, 2022, we had \$143.1 million in cash and available revolving and swingline facilities and net debt of \$131.9 million.

<i>(\$ in 000's)</i>	<u>As at June 30, 2022</u>	<u>As at December 31, 2021</u>
Long-term debt	140,294	149,125
Net debt ⁽¹⁾	131,937	142,350

- (1) This is a non-IFRS financial measure. See “*Non-IFRS and Other Financial Measures*” for more information on each non-IFRS financial measure. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such measure.

On September 27, 2019, Jamieson Laboratories Ltd. (“JLL”), a wholly owned subsidiary of Jamieson, amended and restated its credit agreement to add Jamieson Health Products USA Ltd. (collectively with JLL the “Borrowers”) as a co-borrower and to provide a secured revolving facility of \$275.0 million (including a \$10.0 million

swingline facility) with the option to increase the revolving facility by \$200.0 million (collectively, the “Credit Facilities”).

The Credit Facilities are collateralized by security agreements and first charges over the assets including property, plant and equipment and intellectual property of the Borrowers and certain other subsidiaries of JLL, subject to permitted liens. Under the terms of the Credit Facilities, the Borrowers are subject to restrictive covenants and must maintain an interest coverage ratio of not less than 3.00:1.00 and a leverage ratio not greater than 4.00:1.00.

On July 19, 2022, we completed the closing of the previously announced agreement to acquire youtheory. As of July 19, 2022, our newly acquired subsidiary, Nutrawise Health & Beauty LLC, was added as a Borrower under the Credit Facilities which increased from \$275 million to \$500 million under revolving credit facilities, plus an expanded accordion feature of up to \$250 million with an extended maturity to July 19, 2027. The leverage ratio covenant has been changed to not greater than 4.50:1.00.

We are in compliance with all covenants as at the date of this MD&A.

For the three and six months ended June 30, 2022, JLL made drawings of \$15.3 million and \$25.3 million, and debt repayments of \$15.1 million and \$34.1 million, respectively, applied against the Credit Facilities. For the six months ended June 30, 2022, the weighted average interest rate on the Credit Facilities was 2.9% (2021 – 2.7%).

Analysis of Cash Flows — three months ended June 30, 2022 and 2021

	Three months ended		\$ Change	% Change
	June 30			
<i>(\$ in 000's, except as otherwise noted)</i>	2022	2021		
Cash, beginning of period	5,432	8,766	(3,334)	(38.0%)
Cash flows from (used in):				
Operating activities	13,315	5,079	8,236	162.2%
Investing activities	(4,573)	(6,664)	2,091	31.4%
Financing activities	(5,817)	(2,545)	(3,272)	(128.6%)
Cash, end of period	<u>8,357</u>	<u>4,636</u>	<u>3,721</u>	<u>80.3%</u>
Cash flows from operating activities	<u>13,315</u>	<u>5,079</u>	<u>8,236</u>	<u>162.2%</u>
Net Change in non-cash working capital	3,493	11,054	(7,561)	(68.4%)
Cash from operating activities before working capital considerations	<u>16,808</u>	<u>16,133</u>	<u>675</u>	<u>4.2%</u>

Cash Flows Generated from / Used in Operating Activities

In Q2 2022, cash flows generated from operating activities totalled \$13.3 million compared with \$5.1 million in Q2 2021. Cash from operating activities before working capital considerations of \$16.8 million was \$0.7 million higher due to increased earnings in the current quarter. Cash invested in working capital decreased by \$7.6 million mainly driven by the timing of collections and payments offset by higher inventories to maintain continuity of supply.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in Q2 2022 totalled \$4.6 million compared with \$6.7 million for the same period in the prior year. Purchases of property, plant and equipment of \$4.5 million was \$1.9 million lower than the prior year period reflecting progress of our investments in additional manufacturing and packaging equipment required to expand production capacity.

Cash Flows Used in / Generated from Financing Activities

Cash flows used in financing activities in Q2 2022 totalled \$5.8 million compared with \$2.5 million for the same period in the prior year. In Q2 2022, we made net drawings of \$0.2 million on our Credit Facilities, distributed \$6.1 million of dividends to common shareholders, and made payments of lease liabilities of \$0.5 million, partially offset by proceeds of \$0.5 million for the exercise of stock options and our employee share purchase plan (“ESPP”).

In Q2 2021, we received net proceeds of \$1.2 million from our Credit Facilities and \$2.0 million for the exercise of stock options and our ESPP, partially offset by payments of lease liabilities of \$0.8 million and a distribution of \$5.0 million of dividends to common shareholders.

Analysis of Cash Flows — six months ended June 30, 2022 and 2021

	Six months ended June 30		\$ Change	% Change
	2022	2021		
<i>(\$ in 000's, except as otherwise noted)</i>				
Cash, beginning of period	6,775	1,166	5,609	481.0%
Cash flows from (used in):				
Operating activities	30,403	15	30,388	202586.7%
Investing activities	(8,229)	(10,270)	2,041	19.9%
Financing activities	(20,592)	13,725	(34,317)	(250.0%)
Cash, end of period	<u>8,357</u>	<u>4,636</u>	<u>3,721</u>	<u>80.3%</u>
Cash flows from operating activities	<u>30,403</u>	<u>15</u>	<u>30,388</u>	<u>202586.7%</u>
Net Change in non-cash working capital	1,711	28,047	(26,336)	(93.9%)
Cash from operating activities before working capital considerations	<u>32,114</u>	<u>28,062</u>	<u>4,052</u>	<u>14.4%</u>

Cash Flows Generated from / Used in Operating Activities

In YTD 2022, cash flows generated from operating activities totalled \$30.4 million and \$30.4 million higher mainly due to changes in working capital. Cash from operating activities before working capital considerations of \$32.1 million was \$4.1 million higher due to higher earnings. Cash invested in working capital decreased by \$26.3 million mainly driven by timing of collections and tax installments, partially offset by higher inventories to maintain continuity of supply.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in YTD 2022 totalled \$8.2 million compared with \$10.3 million for the same period in the prior year. Purchases of property, plant and equipment of \$8.1 million was \$1.7 million lower than the prior year period reflecting progress of our investments in additional manufacturing and packaging equipment required to expand production capacity.

Cash Flows Used in / Generated from Financing Activities

Cash flows used in financing activities in YTD 2022 totalled \$20.6 million compared with cash flows generated of \$13.7 million for the same period in the prior year. In YTD 2022, we made net repayment of \$8.8 million on our Credit Facilities, distributed \$12.1 million of dividends to common shareholders, and made payments of lease liabilities of \$1.3 million, partially offset by proceeds of \$1.7 million for the exercise of stock options and our ESPP. In YTD 2021, we received net proceeds of \$21.2 million from our Credit Facilities and \$4.1 million for the exercise of stock options and our ESPP, partially offset by payments of lease liabilities of \$1.6 million and a distribution of \$10.0 million of dividends to common shareholders.

Contractual Obligations

In conjunction with the 2018 signing of a sublease for our Toronto head office location at 1 Adelaide East and ending March 31, 2022, we entered into a master lease agreement with the landlord to commence April 1, 2022 for the same location.

In connection with the youtheory acquisition, the transaction includes potential additional consideration contingent on achieving pre-determined growth targets post-closing.

There was no other material change in our remaining contractual obligations and commitments from the annual MD&A as at and for the year ended December 31, 2021.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Related Party Transactions

Balances and transactions between us and our subsidiaries, have been eliminated on consolidation.

Share-based compensation

The LTIP is an equity-based compensation plan providing for the issuance of securities under which grants will be made. Under the LTIP, the board of directors of the Company, at its discretion, may grant share options, restricted shares, RSUs, PSUs, DSUs, and stock appreciation rights. The awards are settled in common shares of the Company (“Common Shares”) with a cash settlement alternative available to the Company. We also maintain the ESPP for all eligible employees for the purchase of Common Shares.

Our share-based compensation expense, for the three and six months ended June 30, 2022 is \$1.1 million and \$2.3 million, respectively (2021 - \$1.1 million and \$3.7 million).

Financial Instruments

We primarily use foreign currency forward contracts to manage our exposure to fluctuations with respect to transactions in U.S. dollars pertaining to inventory purchases and our international sales. These agreements mature at various dates and qualify for hedge accounting as cash flow hedges of future foreign currency transactions. The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the consolidated statements of operations and comprehensive income. As of June 30, 2022, \$41.7 million of anticipated foreign currency denominated purchases and \$31.8 million of anticipated foreign currency denominated sales have been hedged with underlying foreign exchange forward contracts settling at various dates in the 6 months following the end of the current quarter.

We also use interest rate swaps to manage our long-term interest rate exposure with respect to interest on our Credit Facilities which is based on fluctuating CDOR. We have entered into an interest rate swap with an effective date of October 1, 2020 to September 27, 2024 with a notional principal of \$140.0 million and an annual amortization of \$10.0 million on the first business day of each year. The notional principal of the interest rate swap is \$120.0 million as at the end of this reporting period. The interest rate swap is a derivative measured at fair value and meets hedge accounting requirements.

Outstanding Share Capital

	Common Shares	
	#	\$
As at December 31, 2021	40,406,940	268,214
Exercise of share-based awards	63,128	1,873
Employee stock purchase plan	8,519	278
As at June 30, 2022	40,478,587	270,365
	Common Shares	
	#	\$
As at December 31, 2020	39,872,912	255,795
Exercise of share-based awards	277,491	6,121
Employee stock purchase plan	8,155	280
As at June 30, 2021	40,158,558	262,196

As at June 30, 2022, the authorized share capital of the Company consisted of:

- a) Unlimited number of Common Shares. The holders of Common Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company; and
- b) Unlimited number of Preference Shares, issuable in series.

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Estimates and assumptions are continuously evaluated and are based on management's best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Significant judgments made by management in applying our accounting policies and key sources of estimation of uncertainty were the same as those applied and described in Note 3 in the accompanying notes of our Company's audited consolidated annual financial statements for the year ended December 31, 2021. Items subject to significant estimate uncertainty and critical judgments which have the most impact on the amounts recognized in the unaudited condensed consolidated interim financial statements are included both below and in the annual audited financial statement notes.

Our significant accounting judgments, estimates and assumptions are affected as a result of the various ongoing economic and social impacts of COVID-19 and variants of concern, and the Ukraine conflict. There continues to be significant uncertainty as to the likely effects of these factors which may, among other things, impact our employees, suppliers, and customers. It is not possible to predict the impact they will have on our financial position and our results of operations in the future. We are monitoring the future impact of them on all aspects of our business.

Estimating variable consideration for returns, trade merchandise allowances and sales promotional incentives

We use historical customer return data to determine the expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages we estimated.

We provide for estimated payments to customers based on various trade programs and sales promotional incentives. We estimate the most likely amount payable to each customer for each trade and incentive program separately using (i) the projected level of sales volume for the relevant period; (ii) customer rates for allowances, discounts, and rebates; (iii) historical spending patterns; and (iv) sales lead time. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations.

We update our expected return, trade merchandise allowances and sales promotional incentives on a quarterly basis and the refund liability and trade and promotional accruals are adjusted accordingly. To the extent that payments differ from estimates of the related liability, accounts payable and accrued liabilities, net earnings, and comprehensive income will be affected in future periods.

Valuation of inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, products sold by us turn quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or "best before" dates are very important in the determination of realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net earnings, and comprehensive income will be affected in future periods.

Receivables and allowance for expected credit losses

We are exposed to credit risk with respect to amounts receivable from customers. Our allowance is determined by historical experiences, and considers factors including, the aging of the balances, the customer's credit worthiness, updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of our customers.

Long-lived assets valuation

We perform impairment testing annually for goodwill and indefinite-life intangible assets and when circumstances indicate long-lived assets may be impaired. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying cash-generating units ("CGUs") for the purpose of impairment testing. We assess impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less costs of disposal.

The determination of the recoverable amount involves significant estimates and assumptions. Fair value less costs to sell is determined using market multiples. Value in use is determined using future cash inflows and outflows, discount rates, growth rates and asset lives. These estimates and assumptions could affect our future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite-life intangible assets recognized in future periods.

Measurement of fair values

A number of our accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of our financial and non-financial assets and liabilities.

Tangible and intangible assets acquired through business combinations are initially recorded at their fair values based on assumptions of management. These assumptions include estimating the cost of tangible assets and future expected cash flows arising from intangible assets identified. Financial instruments acquired are determined based on the amortized costs at the acquisition date that approximate their carrying values.

To the extent that these estimates differ from those realized, the measured asset or liability, net earnings, and/or comprehensive income will be affected in future periods. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 7, 12, 15, 16 and 19 in the accompanying notes of our audited consolidated annual financial statements for the year ended December 31, 2021.

Taxes

The calculation of current and deferred income taxes requires us to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities that are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated statements of financial position, a charge or credit to income tax expense in the consolidated statements of operations and comprehensive income and may result in cash payments or receipts.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in our income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

Useful lives of property, plant and equipment and intangible assets with finite useful lives

We employ significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, including assets arising from business combinations, considering industry trends such as technological advancements, past experience, expected use and review of asset lives.

Components of an item of property, plant and equipment may have different useful lives. We make estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. We review these decisions at least once each year or when circumstances change. We will change depreciation methods, depreciation rates or asset useful lives if they are different from previous estimates.

Significant Accounting Policies

Our unaudited condensed consolidated interim financial statements were prepared using the same accounting policies as described in Note 2 in the accompanying notes of our audited consolidated annual financial statements for the year ended December 31, 2021.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company (collectively, the “Certifying Officers”), along with other members of management, have designed, or caused to be designed under their supervision, internal control over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control – Integrated Framework (2013 COSO Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission to design the Company’s ICFR. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s ICFR as at December 31, 2021 and have concluded that the Company's ICFR was effective as at December 31, 2021.

There have been no changes in the Company’s ICFR during the three-month period ended June 30, 2022 which have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

Limitations of an Internal Control System

We believe that any DC&P or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of control is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future conditions.

Outlook

In fiscal 2022, we expect our revenue to range between \$550.0 to \$565.0 million, reflecting the acquisition of youtheory and continued strength in Canada branded volumes offset by slightly lower international growth. Our revised guidance reflects annual revenue growth of 5.0% to 9.0% in our base business plus revenue growth of approximately 16.0% from the acquisition. We expect Adjusted EBITDA to range between \$120.0 to \$125.0 million increasing from our previous range of \$108.0 to \$112.0 million to reflect the acquired results of youtheory. Adjusted diluted earnings per share of \$1.52 to \$1.60, compared with our previous range of \$1.42 to \$1.48 reflecting an updated fully diluted share count of approximately 42.5 million shares.

Revenue growth in the Jamieson Brands segment is expected to increase between 28.0% to 32.0% reflecting the acquisition timing while growth in our base business is maintained at 6.0% to 10.0%.

- We expect Canadian branded revenues to grow between 6.0% and 9.0%, increasing from our previous range of 4.0% to 7.0%, reflecting strong consumer demand on a higher post-pandemic baseline, the impact of retail replenishment throughout 2021 and our in market pricing. We expect improved customer fill rates and strong on-shelf availability at retailers will enable us to effectively drive volumes with a focus on innovation and promotional activities, leveraging our 100th year anniversary marketing campaigns. We expect revenue in the third quarter of 2022 to increase by 8.0% to 10.0% compared with the third quarter of 2021, reflecting pricing and consumption growth.
- We expect international revenue growth of between 10.0% to 20.0% in U.S. dollars, updated from our previous growth of approximately 20.0% in U.S. dollars reflecting the transition of our USA test launch to focus on the acquired youthery brand and the geopolitical situation in Eastern Europe. International growth is fueled by expansion across key regions in Asia, Europe and the Middle East, while continuing to drive growth in China as we increase our local capabilities and brand investments in market. We expect revenues in the third quarter of 2022 to grow by approximately 10.0% in U.S. dollars compared with the third quarter of 2021 reflecting growth in our consumer base and order timing.
- We expect youthery to contribute revenue range of between \$52.0 and \$58.0 million in U.S. dollars. We expect attributable third quarter revenues to be \$16.0 to \$18.0 million in U.S. dollars reflecting the acquisition date and promotional timing.

Revenue in the Strategic Partners segment is expected to increase by up to 5.0% compared with fiscal 2021, reflecting pricing and volume changes in our customers' products. Third quarter 2022 revenues are expected to decline by up to 5.0% compared with the third quarter of 2021, reflecting order timing and production capacity availability for our customers in the prior year.

In the base business, we expect to grow Adjusted EBITDA margins through operating efficiencies while recuperating the impact of anticipated raw material increases and supply chain costs. With the acquisition of youthery, our Adjusted EBITDA margins will be impacted by inherently lower adjusted EBITDA margins, resulting in up to a 250 basis points decline in the second half of the year and up to a 50 basis points decline for the full year.

We expect Jamieson Brands realized gross profit margins improvements year-to-date to be impacted by the timing of trade investment and planned facility utilization resulting in an approximately 50 basis points gross profit margin improvement for fiscal 2022. With the acquisition of youthery, our Jamieson Brands gross profit margins will be impacted by inherently lower gross profit margins from the acquired business resulting in an approximately 500 basis points decline in the second half of the year, and approximately 250 basis points decline for the full year. We expect Strategic Partners realized gross profit margins decline year-to-date to be impacted by customer and program mix, and the timing of facility utilization resulting in an approximate 50 basis points gross profit margin decline for fiscal 2022.

We expect to incur acquisition related expenses including the refinancing of our credit facility of approximately \$11.0 million as well as certain non-capital costs related to the enhancement of our IT systems to improve operating efficiencies and augment our system infrastructure during fiscal 2022. We expect to complete our supply chain software implementation and begin other IT improvements in fiscal 2022 with an estimated start-up cost of up to \$7.0 million. These costs will impact net earnings while our expected Adjusted net earnings and Adjusted diluted earnings per share for fiscal 2022 will reflect an adjustment for these expenses on a tax-effected basis.

The foregoing financial outlook is based on the following assumptions for fiscal 2022, amongst others:

- Normalized SG&A expenses will increase by approximately 18.0% to 20.0%, an increase from our previously guided range of 5.0% to 8.0% (approximately 29.0% to 31.0% in the third quarter of 2022 compared to the third quarter of 2021) from the youthery acquisition and increased investments in international markets and our long-term growth opportunities in China;

- Depreciation expense will be approximately \$12.0 million reflecting the acceleration of our capacity expansion investments (assuming approximately \$15.0 of capital additions as we continue to build capacity at our facilities, while our IT system implementations will largely be expensed based on the cloud-based nature of these services);
- Amortization expenses will increase by approximately \$0.5 million reflecting the youtheory acquired intangibles;
- Share-based compensation costs of approximately \$5.0 million;
- Interest expense of approximately \$10.5 million based on our post acquisition estimated borrowing and the expectation for higher prevailing rates;
- Income tax rates of approximately 27.0% based on non-deductible stock-based compensation and higher rates associated with the acquired business located in Irvine, California;
- A fully diluted share count of approximately 42.5 million shares, increasing approximately 0.5 million shares to reflect the shares issues as part of the youtheory acquisition; and
- Average annual exchange rate between the U.S. and Canadian dollar of U.S. \$1.00 to 1.27.

The description of our financial outlook in this MD&A is based on management’s current views and strategies, our assumptions and expectations concerning our growth opportunities and our assessment of the opportunities for our business and the consumer health industry as a whole and the VMS and sports nutrition segments of the consumer health industry. Our financial outlook has been calculated in accordance with our current accounting policies and non-IFRS and other financial measures as defined in this MD&A. The description of our outlook is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. Refer to “*Summary of Factors Affecting Our Performance*”, “*Forward-Looking Information*” and “*Risk Factors*” for a reference to the risks and uncertainties that impact our business and that could cause actual results to vary.

Current Share and Option Information

As of the date hereof, an aggregate of 41,555,008 Common Shares are issued and outstanding. As of the date hereof, the Company had 2,848,440 options, 216,875 PSUs, 830 RSUs, and 23,640 DSUs outstanding.

Additional Information

Additional information relating to our Company, including our most recent annual report and annual information form are available on SEDAR at www.sedar.com.

Risk Factors

We are exposed to a variety of financial risks in the normal course of operations including credit risk, market risk and liquidity risk, each of which is discussed below. Management oversees the management of these risks. Our financial instruments and policies for managing these risks are detailed below. Please see also the discussion of risks associated with COVID-19 and Ukraine conflict discussed above under the heading “Summary of Factors Affecting Our Performance” and “Outlook”.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to us. We are exposed to credit risk from our customers (primarily related to trade accounts receivable) in the normal course of business. We have adopted a policy of only dealing with creditworthy counterparties. To mitigate this risk, we carry out regular credit evaluations and purchase credit insurance for international customers, where appropriate, as a means of mitigating the risk of financial loss from defaults.

We are also exposed to counterparty credit risk inherent in our financing activities, trade receivable insurance, foreign currency derivatives and interest rate derivatives. We have assessed these risks as minimal.

Market Risk

Market risk is comprised of foreign exchange risk, interest rate risk and commodity price risk.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates primarily from transactions in U.S. dollars such as a portion of trade accounts payable, trade accounts receivable and cash. We use foreign exchange forward contracts to manage foreign exchange transaction exposure.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our accounts receivable and accounts payable are non-interest bearing. Our exposure to the risk of changes in market interest rates arises from long-term debt obligations issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk. We manage our interest rate risk by entering into interest rate swaps, in which we agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Commodity Price Risk

We are exposed to price risk related to purchases of certain commodities used as raw materials. We may use fixed price contracts with suppliers to mitigate commodity price risk. Concentration in any one raw material is not significant to us.

Liquidity Risk

Liquidity risk is the risk we will not be able to meet our financial obligations associated with financial liabilities. We are exposed to this risk mainly in respect of our accounts payable and accrued liabilities, various long-term debt agreements, obligations under our post-retirement benefits plan and lease liabilities.

We manage our liquidity risk through continuous monitoring of our forecast and actual cash flows and through the management of our capital structure. We continually revise our available liquid resources as compared to the timing of the payment of liabilities to manage our liquidity risk.